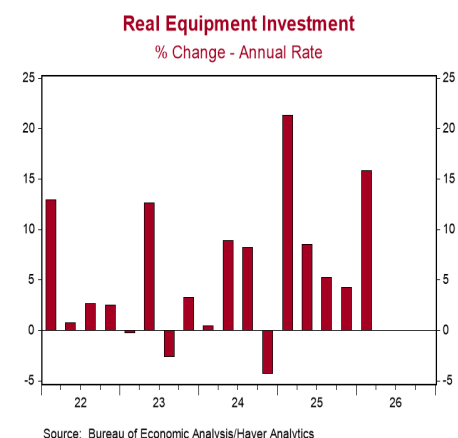
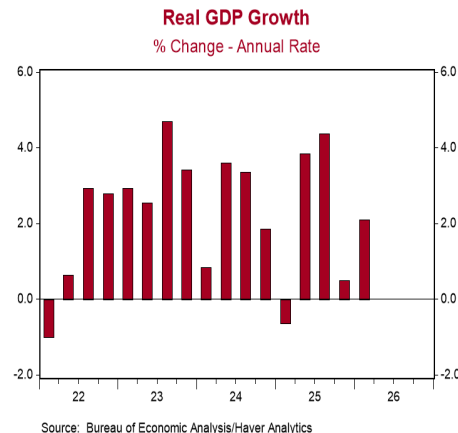


1st Quarter GDP (Final)

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- Real GDP growth in Q1 was revised higher to a 2.1% annual rate, beating the consensus expected 1.6%.
- Upward revisions to net exports, inventories, and business investment more than offset downward revisions to personal consumption and home building.
- The largest positive contributions to the real GDP growth rate in Q1 were business investment and government purchases. The weakest component was net exports.
- The GDP price index was revised higher to a 3.6% annual rate from a prior estimate of 3.5%. Nominal GDP growth – real GDP plus inflation – was revised upward to an 5.8% annualized rate from a prior estimate of 5.2%.

Implications: The final reading for Real GDP growth in the first quarter was revised upward to a 2.1% rate from a prior estimate of 1.6%, but the underlying details show a weaker mix. The stronger headline reflected a large upward revision to net exports, along with smaller upward adjustments to inventories and business investment, which were enough to offset a substantial downward revision to personal consumption for services. For a better gauge of sustainable growth, we look at “core” GDP – consumer spending, business fixed investment, and home building – while excluding the more volatile categories like government, inventories, and trade. Core GDP grew at a 1.7% annual rate in Q1, below the prior estimate of 2.4%, marking the lowest growth rate for the category since 2022. Residential construction has been weighing on the core grouping for some time, but the more important development in this report was a large downward revision to personal consumption, with the category now estimated to have grown at a 0.5% annual rate versus a prior estimate of 1.4%. That is the slowest growth rate for the category in four years and the first sign in the GDP data that consumers may be struggling to sustain spending. Meanwhile, business investment – fueled by the ongoing data center and equipment buildout for artificial intelligence – showed no signs of slowing, with the category revised up to a 10.6% annual rate, the largest contribution of any category to Q1 real GDP and a substantial acceleration from the 2.4% pace last quarter. Excluding the components most directly tied to AI investment – equipment and intellectual property – Real GDP grew at just a 0.3% annual rate in Q1. We also got a second look at Q1 corporate profits, which now show a 1.7% gain from Q4 (up from the prior estimate of +0.9%) and a solid 12.8% increase from a year ago. Meanwhile, Real Gross Domestic Income, an alternative to Real GDP that is just as accurate over time, rose at a 1.2% rate in Q1 and is up 2.2% from a year ago. GDP Prices rose at a 3.6% annual rate in Q1 and are up 3.3% from a year ago. Nominal GDP – real GDP growth plus inflation – was up at an 5.8% annual rate in Q1 and up 6.1% from a year ago, both figures well higher than the current 3.625% target on short-term rates. We expect price pressures to ease in the second half of the year as the recent decline in energy prices following the U.S.-Iran peace agreement begin to filter through the inflation data.



1st Quarter GDP Seasonally Adjusted Annual Rates	Q1-26	Q4-25	Q3-25	Q2-25	4-Quarter Change
Real GDP	2.1%	0.5%	4.4%	3.8%	2.7%
GDP Price Index	3.6%	3.7%	3.8%	2.1%	3.3%
Nominal GDP	5.8%	4.2%	8.3%	6.0%	6.1%
PCE	0.5%	1.9%	3.5%	2.5%	2.1%
Business Investment	10.6%	2.4%	3.2%	7.3%	5.8%
Structures	-4.7%	-6.6%	-5.0%	-7.5%	-5.9%
Equipment	15.8%	4.3%	5.2%	8.5%	8.4%
Intellectual Property	13.8%	5.4%	5.6%	15.0%	9.8%
Contributions to GDP Growth (p.pts.)	Q1-26	Q4-25	Q3-25	Q2-25	4Q Avg.
PCE	0.4	1.3	2.3	1.7	1.4
Business Investment	1.4	0.3	0.4	1.0	0.8
Residential Investment	-0.3	-0.1	-0.3	-0.2	-0.2
Inventories	0.2	0.1	-0.1	-3.4	-0.8
Government	0.7	-1.0	0.4	0.0	0.0
Net Exports	-0.4	-0.2	1.6	4.8	1.5

Source: Bureau of Economic Analysis